Twenty-ninth Annual Report

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

FOR THE YEAR ENDED
December 31, 1939

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CAROLINA, CLINCHFIELD AND OHIO RAILWAY

BOARD OF DIRECTORS

JOHN B. DENNIS, *Chairman*	New York, N. Y.
EDWARD C. BAILLY	New York, N. Y.
M. N. BUCKNER	New York, N. Y.
T. J. CUNNINGHAM	New York, N. Y.
H. R. DENNIS	New York, N. Y.
W. W. MILLER	New York, N. Y.
J. W. PLESS	Asheville, N. C.
W. M. RITTER	Columbus, Ohio
H. H. VREELAND	New York, N. Y.

OFFICERS

JOHN B. DENNIS	*President*
EDWARD C. BAILLY	*Vice-President*
T. J. CUNNINGHAM	*Secretary & Treasurer*
WARREN P. EATON	*Ass't Sec'y & Ass't Treas.*
JOHN W. SANDERS	*Ass't Sec'y & Ass't Treas.*

MILLER, OWEN, OTIS & BAILLY — *General Counsel*

NEW YORK OFFICE — 1 East 57th Street

Stock Transfer Agent
and
Dividend Disbursing Agent

THE NEW YORK TRUST COMPANY
100 Broadway, New York.

Stock Registrar

BANKERS TRUST COMPANY
16 Wall Street, New York.

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TWENTY-NINTH ANNUAL REPORT

NEW YORK, April 1, 1940.

To the Stockholders of

CAROLINA, CLINCHFIELD AND OHIO RAILWAY:

The Twenty-ninth Annual Report of the Board of Directors, for the year ended December 31, 1939, is submitted herewith:

Under an indenture dated October 16, 1924, the properties of Carolina, Clinchfield and Ohio Railway and its subsidiaries were leased to Atlantic Coast Line Railroad Company and Louisville and Nashville Railroad Company for a period of 999 years from May 11, 1923, at an annual money rental as follows:

3% on $25,000,000 Capital Stock, or $750,000 annually, for three years from January 1, 1925.

4% on $25,000,000 Capital Stock, or $1,000,000 annually, for ten years from January 1, 1928.

5% on $25,000,000 Capital Stock, or $1,250,000 annually, from January 1, 1938, to May 10, 2922.

In addition to the foregoing money rental, the Lessees agree to pay the interest charges on the outstanding funded debt of and guaranteed by the Carolina, Clinchfield and Ohio Railway and on any bonds that may be issued to refund the same.

The Lease also provides that the Lessees will pay all charges and other expenses in connection with the payment of interest, shall pay all taxes upon the franchises and leased property and the income thereof, and shall also pay a sum equal to the annual corporate expenses of the Lessors not in excess of $12,000 per annum. All rental payments under the Lease are the joint and several obligations of the Atlantic Coast Line Railroad Company and the Louisville and Nashville Railroad Company.

The Lease expressly provides that in case of the issuance of any additional capital stock of the Railway, it shall be stock of a class which has no right to participate in any dividends declared from the money rentals above mentioned, which money rentals have been fixed at the amount specified for the purpose of enabling the Railway to pay dividends upon the $25,000,000 par value capital stock at the rates and for the periods above mentioned, and are not intended to be used for any other purposes whatsoever. In consideration of these money rentals, the stockholder agrees with the Lessees that he will vote his stock in such manner as is necessary to carry out the provisions of the Lease from time to time.

The payment of the above-mentioned annual money rental is to be made in equal quarterly instalments beginning April 1, 1925, to enable the Lessor to pay dividends upon its $25,000,000 Capital Stock at the rates specified.

Possession of the leased properties was delivered to the Lessees on December 1, 1924, and the first payment of the money rental under the Lease was made to the Lessors on April 1, 1925. On April 10, 1925, the first dividend of 75 cents per share, payable out of said money rental, was paid by this Company to the record holders of the $25,000,000 par value of outstanding Capital Stock.

The making of the aforesaid Lease was authorized by the Interstate Commerce Commission on June 3, 1924 (Finance Docket No. 3131).

Quarterly dividends, at the rate of five per cent. per annum on the Company's $25,000,000 Capital Stock, were paid during the year out of the money rental received from the Lessees.

For the purpose of simplifying the corporate organization, Carolina, Clinchfield and Ohio Railway, on November 30, 1939, made application to the Interstate Commerce Commission for authority to acquire the 2.79 miles

of railroad and all other properties owned by Clinchfield Northern Railway of Kentucky, all of whose capital stock and securities are owned by Carolina, Clinchfield and Ohio Railway, in consideration of the surrender to the Kentucky corporation of all of said securities, and the assumption by Carolina Clinchfield and Ohio Railway of any and all other existing liabilities. The Interstate Commerce Commission, on February 15, 1940, in Finance Docket 12671, approved and authorized such acquisition, and the necessary steps are now being taken to effect the transfer, to subject the property to the lien of this Company's First and Consolidated Mortgage and to dissolve the Kentucky corporation.

Submitted as a part of this report are a statement of mileage, a summary of the operation of the leased properties, a copy of the consolidated balance sheet and a statement of the funded debt.

For the Board of Directors,

JOHN B. DENNIS,

President.

MILEAGE

The mileage owned by Carolina, Clinchfield and Ohio Railway and its subsidiaries, Carolina, Clinchfield and Ohio Railway of South Carolina and Clinchfield Northern Railway of Kentucky, is as follows:

	Miles
Carolina, Clinchfield and Ohio Railway:	
Main line: Ky.-Va. State Line to N. C.-S. C. State Line....	255.97
Branch lines: Carbo, Va., to Wilder, Va.....	8.40
Bostic Yard, N. C., to Junction S. A. L. Ry...	.79
Carolina, Clinchfield and Ohio Railway of South Carolina:	
Main line: N. C.-S. C. State Line to Spartanburg, S. C.....	18.09
Clinchfield Northern Railway of Kentucky:	
Main line: Elkhorn City, Ky., to Ky.-Va. State Line.....	2.79
Total.....	286.04

The foregoing mileage since December 1, 1924, has been operated by the said Lessees under the name of "Clinchfield Railroad Company."

In addition to the foregoing mileage, the Lessees also operate the following mileage under trackage rights formerly held by Carolina, Clinchfield and Ohio Railway System:

Chesapeake and Ohio Railway, Elkhorn City, Ky.....	.13
Norfolk & Western Railway, Carbo, Va., to St. Paul, Va.....	8.45
Southern Railway: Frisco, Tenn., to Albert Yard, Va.....	13.60
" " Spartanburg, S. C.....	.09
Total.....	22.27

This makes the total mileage operated by the Lessees, under the Lease, 308.31 miles.

RESULTS OF OPERATION BY LESSEES

The following is a summary of the results of operation of the leased properties, for the year ended December 31, 1939, as reported by the Lessees:

Railway operating revenues		$7,276,463.63
Railway operating expenses		3,509,475.71
Net revenue from railway operations		$3,766,987.92
Railway tax accruals		699,853.87
Railway operating income		$3,067,134.05
Equipment rents	$219,349.75	
Joint facility rents ..... *Dr.*	*363.76*	218,985.99
Net railway operating income		$3,286,120.04
Non-operating income		11,395.25
Gross income		$3,297,515.29
Deductions from gross income:		
Lessor's fixed charges	$1,046,000.00	
Dividend rental	1,250,000.00	
Lessor's taxes	239,629.88	
Miscellaneous rental	17,775.30	
Total rental under Lease	$2,553,405.18	
Other deductions	48,233.70	2,601,638.88
Net Income		$ 695,876.41

CAROLINA, CLINCHFIELD AND OHIO RAILWAY

(Including Subsidiary Lines, C. C. & O. Ry. of S. C. and Clinchfield Northern Ry. of Kentucky)

CONSOLIDATED GENERAL BALANCE SHEET

DECEMBER 31, 1939

ASSETS

Investment in road and equipment	$65,644,883.05
Deposits in lieu of mortgaged property sold	326,930.18
Miscellaneous physical property	64,388.87
Cash	22.65
Special deposits	1,000.00
Rents receivable	312,500.00
Working fund advances	100.00
Other deferred assets	4,275,643.67
Total	$70,625,468.42

LIABILITIES

Capital stock	$25,000,000.00
Funded debt	22,150,000.00
Funded debt matured unpaid	1,000.00
Unmatured dividends declared	312,500.00
Other deferred liabilities	3,479,295.32
Accrued depreciation—Equipment	2,079,802.12
Additions to property through income and surplus	70,991.90
Profit and loss—Credit balance	17,531,879.08
Total	$70,625,468.42

STATEMENT OF FUNDED DEBT

DECEMBER 31, 1939

Name of Security	Amount Outstanding	Date of Maturity	Rate Per Annum	Interest Payable
First and Consolidated Mortgage Bonds, Series A	$ 8,000,000	Dec. 15, 1952	6%	June 15 and Dec. 15
Promissory Note to Reconstruction Finance Corporation	14,150,000*	May 27, 1943	Not to exceed 5%**	May 27 and Nov. 27
Total	$22,150,000			

* Secured by pledge of $14,150,000 First and Consolidated Mortgage 5% Bonds, Series B, dated April 1, 1926, due April 1, 1956.

** Current rate, 4%.

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